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Harnessing International Production Networks to Foster Inclusive Growth and Local Capacities

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New technologies and innovations create windows of opportunities for developing countries

• The challenge for developing countries: generate a rapid, sustained and inclusive productive transformation process
  – Diversify production structure -product innovation
  – Increase sophistication and complexity of products for productivity and learning
  – Enter industries with high demand elasticities for domestic and foreign demand

• New technologies create opportunities for developing countries to leapfrog

• Countries take advantage by creating capabilities to innovate

• Such capabilities are built up in individual and societal learning processes

• Learning processes cannot be created by markets, requires long-term learning strategies and deliberate policies
Comparing Latin America and Asia

• **The narrative: 1990-2014**
  – South East Asian countries:
    • entered emerging GVCs with manufacturing intermediates (diversification)
    • increased economic complexity
    • accumulated capabilities to innovate
    • Diversified into two robot-intensive industries and learned to compete – transport and electronic
    • Creating productive jobs
  – South American countries:
    • supplied largely natural resources to GVCs
    • decreased economic complexity and de-industrialised.
    • Limited opportunities to develop capabilities to innovate and catch up in manufacturing
    • Developed only one robot-intensive industry- transport
    • Loosing productive jobs
Change in economic complexity in Latin American and Asian countries, 1998-2008.

Source: The Economic Observatory (2017), MIT Harvard University
Robot Density across Countries in 2008 and 2014, High Density Countries (>0.5 in 2014)

Source: International Federation of Robots, 2016
Robot Density across Countries in 2008 and 2014, Low Density Countries (<0.5 in 2014)

Source: International Federation of Robots, 2016
Distribution of robot stocks across the robot-intensive industries in South America and South East Asia, 2008-2015 (percentage)

Source: International Federation of Robotics, 2016
Change in manufacturing employment as a share of total employment, 2000-2015

Latin America (14.7 to 11.7)

Asia (13.4 to 13.3)

Source: Trends Econometric Model database, ILO November 2016
III. A learning strategy for sustained and inclusive productive transformation

The challenge:
Creating capabilities to prepare for emerging windows of opportunities

Requires a long learning strategy and vision of productive development

Such learning strategies embrace

- **Industrial and innovation**: promote increasingly complex industries, occupations and learning
- **Training policies**: provide the skills needed in the economy
- **Education policies**: endow the labour force with competences, the ability to learn and attitudes that support innovations
- **Wage and distribution policies**: share the gains of higher productivity, increase domestic demand, and investment in education and training.
Thank you

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